

CS - Examination Unit Report

Escrow Program

Escrow Commission Meeting
April 15, 2010

Examination Summary

- 4 Exams completed in October
 - 5 Exams completed in November
 - 2 Exams completed in December
 - 4 Exams completed in January
 - 4 Exams completed in February
 - 2 Exams completed in March
- 21 Exams Completed from
October 2009 – March 2010**

Average number of violations per exam: 5

Composite Rating	Number of Licensees
1	0
2	12
3	7
4	2
5	0

Escrow Agents referred to the Enforcement Unit: 3

- DEO preparing legal documents without an LPO license
- Agent failed to retain required records and failed to reconcile after going out of business
- Agent failed to renew DFI license and DEO license. DFI requested previous 12 month reconciliation records and Agent would not provide the documents

Common Violations

1. Failing to timely submit Quarterly Reports

- One-day examinations were conducted by the Department for late filers

2. The Agent's reconveyance procedures do not meet the requirements of Policy Statement 02-07

- Policy Statement 02-07 requires, at a minimum, the Agent must maintain an itemized log or invoice of services showing the dates of services.
 1. Printing out the Deed of Reconveyance and placing it in the escrow file is not sufficient documentation.

3. Failing to maintain sufficient funds in the trust account

- Agents failed to maintain positive balances in individual trust accounts.
 1. This is most commonly caused by receipt and disbursement errors that go unidentified until the month-end reconciliation. It is recommended that

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escrow agents perform daily reconciliation of the trust account to proactively identify these types of errors.

4. Failing to maintain required records

- Agents failed to retain all required month-end reconciliation records.
 1. The records that support the three-way reconciliation balances should be printed, reviewed, and retained as permanent records on a monthly basis.

5. Charging fees not allowed by the Act

- DFI found instances where escrow agents charged fees that should have been included in the agent's one time escrow fee.
 1. Escrow agents should not charge additional fees to consumers for services unless it is a bona fide out-of-pocket expense.